

CREDIT CARD COMPETITION ACT: SECURITY

S. 3623/H.R. 7035

The credit card system, merchants and consumers desperately need better security. The Credit Card Competition Act will help deliver that security.

- The United States has the most credit card fraud in the world – 34% of all global fraud – even though it has only 22% of the world’s transaction volume.
- The reason? Partially because Visa and Mastercard control the setting of credit card security standards through organizations including EMVCo and the Payment Card Industry Security Standards Council.
- Rather than enhancing security, Visa and Mastercard set standards that entrench their dominant market share.
- By contrast, networks like NYCE, Star and Shazam have about one-eighth the fraud of Visa and Mastercard’s networks, according to the Federal Reserve. These are the same networks that process billions of dollars in ATM and debit card transactions every day, trusted by consumers and banks alike.
- The Credit Card Competition Act requires that at least two unaffiliated networks be enabled on each credit card – Visa or Mastercard plus a competing network. Letting merchants choose which of the two networks to use to process transactions would significantly improve security protection for consumers by giving the networks an incentive to make security a priority.
- Competition has been proven to lead to stronger security for transaction processing. The establishment of competition in debit card processing over 15 years ago led Visa and Mastercard to finally set a timeline for the long-delayed adoption of EMV chip cards in the United States and brought innovation in areas like tokenization of transactions. The same incentive for innovation in security is expected to be created by competition in credit card processing.
- Alarmingly, Visa and Mastercard have allowed China’s UnionPay to have a role in controlling security standards – UnionPay is on the governing committee of both EMVCo and PCI along with Visa and Mastercard.
- Today, any bank in the United States is free to select China UnionPay as the processing network on its credit cards.
- The Credit Card Competition Act would allow the Federal Reserve to block any networks backed by foreign governments from entering the U.S. market. That would ensure that the Fed would block China UnionPay, closing this significant security gap.
- In short, the Credit Card Competition Act would improve credit card security by bringing competition to the market.